GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7726
ANSWERED ON:17.05.2002
ECONOMIC GROWTH
BASUDEB ACHARIA

Will the Minister of FINANCE be pleased to state:

(a) whether International Monetary Fund warned that India`s highlevel of fiscal deficit could have serious consequences for the economic growth of the country;

(b) if so, the details thereof;

(c) whether the fiscal deficit is at nearly 10 per cent of the gross domestic product;

(d) whether this fiscal deficit is one of the highest in the world; and

(e) if so, the steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) & (b) In recent years International Monetary Fund (IMF)in their Article IV consultations with India have drawn attentiontowards the implications of the high level of fiscal deficit for economic growth. In one of their recent assessments, the IMFExecutive Board has drawn attention to `..continued signs that domestic structural constraints and the fiscal situation were adversely affecting investment and the economy`s potential.`

(c) & (d) The combined gross fiscal deficit of Centre and Statesas a proportion of gross domestic product (GDP) is estimated at 9.6 per cent for 2000-01 (Revised Estimate). It will not be meaningful to compare the fiscal deficit in different countries without studying the composition and ownership of debt and debt exposure to exchange rate risks.

(e) The broad strategy of the Budget 2002-03 is to continue the emphasis on agriculture and food economy reforms; enhance public and private investment in infrastructure; strengthen the financial sector and capital markets; deepen structural reforms and regenerate industrial growth; provide social security to the poor; and consolidate tax reforms and continue fiscal adjustment at both the Central and State levels. To this end, the Budget 2002-03 contains a number of reform measures. The Budget for 2002-03 has also provided enhanced plan outlays for key infrastructure sectors and allocations for rural development. Besides, measures have been taken to stimulate domestic demand. These among others include further reduction in administered interest rates, scaling down of peak customs tariff and further simplification in the excise duty regime etc. Also progress has been made in the privatization and in the implementation of Expenditure Reforms Commissions recommendations. With a viewto improve finances of the States, Central government has been working jointly with the States through the Fiscal Reforms Incentive Fund set up on the recommendations of the Eleventh Finance Commission. It is the endeavour of the Government to bring downthe consolidated debt to GDP ratio to sustainable levels by 2005 and to put in place programmes and policies which will remove barriers to growth.